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SUBJECT: China/Forex Energy Fund: Still "Just an Idea"

¶1. (SBU) Begin Summary. Official Chinese media reported that China's National Energy Administration (NEA) had in early February submitted a proposal to use foreign exchange reserves to help Chinese companies acquire overseas resource assets. NEA's Oil and Gas Division Director, however, said NEA had not yet proposed establishment of such a fund, and China's Director General for Reserve Management professed no knowledge of the plan. End Summary.

Media Reports Plans for Forex Resource-Buying Fund

¶2. (SBU) Chinese official media reported last week that China's NEA had submitted a proposal to use foreign exchange reserves to establish a fund that would support Chinese oil and gas companies' acquisition of overseas assets. The reports all cited a February 20 article in the industry journal "China Petroleum Daily" and stated that the plan was submitted during the NEA's National Work Conference in early February. According to the articles, the fund would be used to offer low-interest loans and capital injections to state-owned oil and gas companies aiming to expand as the global recession lowers share prices of foreign firms.

Official Claims Fund "Just an Idea"

¶3. (SBU) Dr. Yang Lei, Director of the Oil and Gas Division at the NEA, told econoff on February 26 that he had read the same media reports and he quickly dismissed them as misrepresentative. Yang acknowledged that the concept of a fund had come up in internal discussions during the NEA's National Work Conference, but the NEA had not formally proposed establishment. "It is nothing more than an idea at this point," he explained.

¶4. (SBU) The Chinese State Administration for Foreign Exchange (SAFE) Director General for Reserve Management told FinAtt that although he had heard rumors of such proposals, he did not know any details.

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